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The history of interregional trade between Latin America and the Caribbean and Asia-Pacific¹ during 1990-2012 :The East Asian

Perspectives

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Abstract

This research article explores the history and potential for regional cooperation between the Asia and Pacific region and Latin America and the Caribbean during 1990-2012 from the perspective of East Asia .The first section provides a brief background on changing patterns of regionalism .The second section gives a background on Asian regionalism and the factors for its success .The third section deals with prospects for interregional cooperation between the Asia Pacific region and Latin America and the Caribbean. The fourth section provides the conclusion and some recommendations to strengthen partnership and cooperation between the two regions.

Keywords :interregional trade, Latin America and the Caribbean, Asia-Pacific

1. Introduction

The economic success of the East Asian region in the past decades shows that regional cooperation and integration, supported by both open trade and regional cooperation, is a key factor for sustained growth and development .East Asia's phenomenal rise makes it a model for economic success in developing economies .It also showed that closed cooperation with neighbours could be beneficial to member economies as regional integration facilitates specialization and economies of scale .Regional cooperation is also a critical force in addressing

¹ Asia-Pacific refers to Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, Lao PDR, Malaysia, Myanmar, New Zealand, The Philippines, Singapore, South Korea, Thailand, and Vietnam.

Latin America refers to Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

The Caribbean refers to Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, British Virgin Islands, Cayman Islands, Dominica, and Grenada.



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common issues such as energy security, food security, environmental degradation, and human security issues, among others.

While regional cooperation had been explored as early as the 1960s and regional economic integration initiatives had been initiated by ASEAN (Association of Southeast Asian Nations), which led to the signing of the ASEAN Free Trade Agreement (AFTA) in 1992, East Asia-wide cooperation was not seriously pursued in the region until after the Asian financial crisis in 1997. The Asian financial crisis prompted negotiations for bilateral and plurilateral agreements in the East Asian region and led to the creation of institutions for regional cooperation, particularly the ASEAN+1, ASEAN+3 (APT), and the East Asian Summit (EAS). (These regional cooperation initiatives helped spur trade, investment, and financial reforms that deepened Asia's growing and wide-ranging regional links. Most recently, the scope and depth of cooperation had deepened to include cooperation to manage regional risks and addressing common issues. Area-wise, the scope had also expanded to include economies outside of East Asia, as shown by the negotiations for the Regional Comprehensive Economic Partnership (RCEP), an RTA that involves countries in East Asia and India, with potential for further expansion in South Asia.

Latin American and the Caribbean, on the other hand, did not display the same success as the Asia and the Pacific Region in integrating their economies and securing a stronger role in the global economy. Unlike the Asia and Pacific region, and in particular East Asia, the Latin America and Caribbean region had not shown the same level of enthusiasm for open regionalism and had not been aggressive enough in looking for third markets (United Nations Economic Commission for Latin America and the Caribbean [UNECLAC], 2008). (Latin American markets had been fragmented and the business environment needs to be improved to make it more attractive for foreign investment) FDI.

The idea of linking the dynamic Asia and Pacific region with Latin America and the Caribbean had been explored in various fora. The main challenge for establishing this connection is how to strengthen trade and investment links between the two regions. Lack of coherent and sustained policies, poor infrastructure support, and high transportation costs have also dampened previous attempts to integrate the two regions.

There are many opportunities for growth and development between the two regions once appropriate policies and support systems are in place. Efforts to expand trans-regional cooperation would not only



be valuable for improving the regional value chain, but could also help enhance innovation and competitiveness, especially for Latin America and the Caribbean .Interregional cooperation between the two regions would be very challenging since they are divided by substantial geographic distance and are characterized by profound disparities in economics, politics, culture, and history .Nonetheless, it is certainly worth considering, given the mutual benefits that can be derived from this cooperation.

2 .The Changing Global Architecture and Regionalism :A Background

The evolving regional coalitions radically changed the global economic landscape after World War II .Formation and expansion of these regional blocs had a huge impact on trade activities worldwide .The form and structure of the regional blocs continued to evolve since the 1960s as a result of various economic and political events that enabled so-called natural economic groups and strategic partners to gravitate toward each other)Evans et al, 2004.(

The 1960s was characterized by a bipolar economy, with the United States and Europe dominating global trade .A number of closely connected developing countries were linked to the dominant blocs, which either were formed because of geographic proximity, or were former colonies, or had developed a strategic partnership in the course of the cold war .The two leading world trade blocs accounted for 80 %of global trade .The European bloc was closely linked with countries in Africa and former colonies .On the other hand, the United States tied up economically with Latin America and the Philippines .Britain still retained leadership in small Asian cluster consisting of former colonies, the PRC and the rest of the Middle East .In the early post war years, developing countries traded much more with Europe or the United States and not as much among themselves.

A realignment of global trading pattern took place in the 1970s, creating three distinct blocs and two clusters, with more fragmentation in trading arrangements .It showed splintering from the European and US blocs and increasing diversification of trade .It also marked the emergence of East Asia as a new trade bloc and a major player in the world market as it increasingly captured a larger share in total world trade .The changes were triggered by the increasing size and influence of the Japanese economy, continuing GATT trade rounds to open



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economies, and the onset of unilateral trade policy liberalization associated with structural adjustment policies in these countries.

The 1980s reinforced the developments in the previous decade and marked the emergence of East Asia as an important trade bloc .It prompted the emergence of East Asia as a major economic player .The East Asian economic bloc expanded its membership in the succeeding decades to include Australia and New Zealand, further increasing its total world trade share .On the other side of the globe, it was also during this decade that the South American bloc started to gain momentum as intra-regional trade increased in Latin America, accounting from Argentina, Paraguay, Uruguay, and Brazil increased trade shares in the region . African trade was also gaining strength as trade with South Africa and its near neighbors, Malawi and Zimbabwe, expanded.

The 1990s consolidated the gains from the previous decades and established East Asia as an economic powerhouse, changing the global economic landscape from bipolar to multipolar with the emergence of the East Asian region as the third bloc, alongside EU and North America . East Asia's growth was further propelled by the rise of the PRC and its accession to WTO in 2001 .Trading patterns and economic relations between and among the different blocs also became more diversified, with the appearance of two other trade blocs, MERCOSUR and SACU . In the succeeding decades, the world witnessed the phenomenal rise of East Asia as an economic powerhouse, fuelled by the rise of the PRC and the Newly Industrialized Economies (NIEs) (in East and Southeast Asia.

These new regional blocs are distinct from its predecessor in the postwar years .Whereas old regionalism created closed economic blocs, the new regionalism developed in the recent decades is a response to the rapid global transformation and increasing need to collectively respond to global issues .The new regionalism is also characterized by an “open system”—taking into account WTO rules and other multilateral institutions—which makes it more compatible with an increasingly interdependent world .Moreover, regional cooperation had also been important in solving economic, social and environmental issues . Following the Asian financial crisis in 1997 and the Global Financial Crisis of 2008, regional cooperation institutions in East Asia had played an important role in managing and alleviating the impact of the crisis.



3.Overview of Asian Regionalism

The core of Asian regionalism is East Asia, where economic cooperation started and first gained success .The growth and deepening integration of the East Asian region has been shaped by three huge waves of trade and industrial transformation .The first wave occurred with the rise of Japan and its emergence as a major industrial power .The second wave was led by the NIEs of Northeast and Southeast Asia in the late 1970s and 1980s .The third wave was pushed by the rise of the People's Republic of China)PRC .(These three major time periods restructured the economic architecture of East Asia, making it an economic powerhouse and cornering almost a quarter of world output)Drysdale, 2005.(

Intra-regional trade in East Asia had grown more rapidly and steadily than any other region in the world .In ASEAN, intra-regional trade was less than 20 %in 1980 .By 2012, the figure grew to 27 .%Intra-regional trade in ASEAN+3 countries also increased from 30 %in the 1980 to 42 %in 2012 .Intraregional trade in East Asia had grown faster than that of European Union and NAFTA in the past two decades, although EU and NAFTA still have higher intra-regional trade figures than any region in the word .However, it is worthy to note that East Asian intra-regional trade is approaching the levels of North American Free Trade Agreement)NAFTA) (Table 1.(

Table 1 Asia-Pacific Intra-Regional Trade by Geographic Grouping^a
)percentage of the region's total trade(

Geographic grouping	1980	1985	1990	1995	2000	2003	2006	2012
Within ASEAN (10) ^b	17.9	20.3	18.8	24	24.7	26.6	27.2	27.6
Within ASEAN+3 ^c	30.2	30.2	29.4	37.6	37.3	39	38.3	42.8
Within ASEAN+3+ Hong Kong, China and Taipei, China	34.1	37.1	43.1	51.9	52.1	55.4	54.5	56.8
European Union (27)	61.5	60.6	66.8	66.9	66.3	68.1	65.8	62.4
NAFTA	33.8	38.7	37.9	43.1	48.8	47.4	44.3	44.1
MERCOSUR	11.1	7.2	10.9	19.2	20.7	14.7	15.7	16.2
Andean Community (5) ^d	2.8	3.3	5.4	12.4	10.8	10.8	9.1	8.5
CACM	9.6	10.8	12.1	15.6	17.5	17.6	10.1	17.4



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ASEAN =Association of Southeast Asian Nations, CACM =Central American Common Market, MERCOSUR =Common Market of the South, NAFTA =North American Free Trade Agreement.

Source :Economic Commission for Latin America and the Caribbean, on the basis of the United Nations Commodity Trade Statistics Database; with updates from the author.

Notes :^a The share in intra-regional trade is defined as the percentage of intra-regional trade with respect to the total trade of the region in question, based on export data .It is calculated as follows :
$$X_{ii} / \{X_{iw} + X_{wi}/2\}$$
, where X_{ii} refers to exports from region i to the same region, X_{iw} represents exports from region i to the world, and X_{wi} represents world exports to region i .A higher percentage indicated a higher level of dependency on intra-regional trade.

^b ASEAN)10 (consists of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

^c ASEAN+3 includes the 10 ASEAN countries plus the People's Republic of China, Japan, and the Republic of Korea.

^d Andean Community)5 (includes the Bolivarian Republic of Venezuela, Bolivia, Colombia, Ecuador, Peru, and Chile

Trade and investment had been East Asia's economic lifeblood and its source of growth .Investment inflows to the Asia and Pacific region surpassed North America in recent years .Export and import in merchandise trade is among the highest in the world and has overtaken NAFTA in terms of trade volume and share in world total .Similarly, the Asia and Pacific region has been a top investment destination, with the ASEAN+6 receiving the biggest FDI inflow in 2012 and consistently showing as the third most important economic bloc in terms of FDI stock and inflow .Despite the global financial crisis in 2008, the Asia and the Pacific region also showed resilience in terms of growth of its international trade, with export growth in ASEAN+6 showing an average of 6.7 %growth rate per annum for the period 2008–2012 and the SAARC region showing 10.1 %growth rate between 2008–2012 .In contrast, average export growth rate of Europe and North America from 2008–2012 were only at -0.5 %and 3.5%, respectively)Tables 2 and 3.(

The industrial and trade transformation of East Asia over the last half-century has been driven by policy initiatives and market forces that opened up trade and investments in the East Asian countries .The initial phase of liberalization took place in the 1980s and 1990s, as countries in



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East Asia began liberalizing trade and FDI policies and deregulating domestic economic activities. Countries in East Asia embarked in both unilateral liberalization and as part of the commitment made to the World Bank and International Monetary Fund (IMF) (to create more comprehensive structural reform policies in exchange for economic assistance during the Asian financial crisis). Liberalization activities were also stimulated with the realization by the East Asian countries that liberalization and deregulation would promote economic growth.

Meanwhile, policies toward FDI liberalization started around the mid-1980s as countries began to realize that FDI inflows would promote economic growth. Some of the measures undertaken were the reduction of the number of sectors and industries on the negative list and relaxing the limits on foreign equity ownership. A number of economies also introduced tax holidays or tax breaks to encourage more FDI inflow (Urata, 2008).

As regionalization developed, liberalization of trade and FDI also further progressed in East Asia. In 1992, ASEAN member countries created the ASEAN Free Trade Area (AFTA), which was designed to enhance trade and FDI flow in the region. AFTA is considered to be the centerpiece of the ASEAN economic integration policy and provided the impetus to explore sub-regional cooperation.



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Table 2 Inward Foreign Direct Invest

	FDI stock US\$ million 2012	FDI stock %of GDP				FDI net inflow US\$ million 2012	FDI net inflow %of GDP			
		1990- 1995	1996- 2000	2001- 2005	2006- 2012		1990- 1995	1996- 2000	2001- 2005	2006- 2012
Asia and the Pacific										
ASEAN	1,319,242	20.4	36.7	42.9	17.7	111,294	3.5	4.5	3.8	4.8
ASEAN+3	2,504,715					244,009				
ASEAN+6	3,423,006					329,422				
ECO	395,274	5.4	9.1	13.8	29.5	39,171	0.5	0.8	1.9	2.6
SAARC	269,347	2	4.5	5.8	9.3	28,641	0.3	0.7	1	2.0
Latin America & Caribbean	2,310,630	10.5	18.1	32	34.2	126,266	1.2	3.9	3.3	3.9
Other world regions										
Africa	629,632	14.4	21.3	28.1	29.5	50,041	0.9	1.7	2.8	3.1
Europe	8,849,964	10.7	16.7	31.9	44.0	289,249	1	3.3	2.8	3
North America	4,570,442	8	10.8	14.5	24.2	213,123	0.7	2.3	1	1.7
Other countries/areas	614,454	11.6	12.4	16.6	29.6	48,319	0.6	1.3	2.7	4.3
World	22,812,698	9.3	14	21.5	30.4	1,350,926	0.9	2.7	2	2.6

ASEAN =Association of Southeast Asian Nations, ECO =Economic Cooperation Organization, FDI =foreign direct investment, GDP =gross domestic product, SAARC =South Asian for Regional Cooperation.

Source: For 1990-2005, figures from Statistical Yearbook for Asia and the Pacific 2008)Table 20.1) (UNESCAP, 2008 (<http://www.unescap.org/stat/data/syb2008/20-Financing-for-development.asp> .For 2012, figures from UNESCAP website)unescap.org) (retrieved November 12, 2017.(

Table 3 Growth in International Trade



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	Average annual growth rate of import of merchandise %per annum				Average annual growth rate of export of merchandise %per annum			
	1990-1995	1995-2000	2000-2006	2008-2012	1990-1995	1995-2000	2000-2006	2008-2012
Asia and the Pacific								
ASEAN	15.6	0.6	10.1	6.8	16.2	5.5	10.1	6.1
ASEAN+3				6.9				5.7
ASEAN+6				6.9				6.7
ECO		5.1	18.4	3.5		7.2	18	2.1
SAARC	9.1	5.4	20.5	10.1	11.4	6.7	15.9	10.1
Latin America & Caribbean	12.8	8.4	8.3	5.2	11.6	9.2	11.1	5.5
Other world regions								
Africa		1	13.3	5.8		6.5	10.2	2.7
Europe	4.4	3.1	11.6	-1.5	6.1	2.1	11.4	-0.5
North America	8.1	9.9	7.2	2.1	8.3	6.4	5.1	3.5
Other countries/areas		5.1	10.1	4.4		9	12.3	6.1
World	7	4.7	10.9	2.9	7.7	4.3	10.9	3.2

ASEAN =Association of Southeast Asian Nations, ECO =Economic Cooperation Organization, SAARC =South Asian for Regional Cooperation. **Source:** Statistical Yearbook for Asia and the Pacific 2008)Table 20.3) (UNESCAP, 2008 (<http://www.unescap.org/stat/data/syb2008/21-International-trade.asp> .For 2012, figures from United Nations Economic and Social Commission for Asia and the Pacific website)unescap.org) (retrieved November 12, (2017



Another regional framework that facilitated trade and FDI liberalization in East Asia is the Asia Pacific Economic Cooperation (APEC). (APEC provided the venue for East Asian countries to engage North America, South America, and Oceania in economic dialogue and to create a venue to discuss issues vital to economic development in the region. Though participation is voluntary, the Bogor goals² outline full liberalization of trade and FDI by 2010 for members with developed economies and by 2020 for member with developing economies—these goals have been well integrated in member countries' economic agenda.

Several studies have been devoted to understanding the shape of East Asia's economic architecture (Kawai, 2007; Nanto, 2008; Soesastro, 2006; Urata, 2008). (Analysts agree that the development of the East Asian regionalism is propelled by three factors): i (market-driven economic integration), ii (negotiated trade liberalization initiatives, and) iii (the regional financial cooperation initiatives following the Asian financial crisis). The East Asia integration process started as market-led integration and progressed into an institution-led process as East Asia pursued bilateral and plurilateral free trade agreements (FTAs) (and financial cooperation initiatives).

3.1 De Facto Economic Integration in East Asia

The market-driven forces of cross-border trade, FDI, and finance pushed the initial phase of economic integration in East Asia. The simultaneous expansion and reinforcement between trade and FDI, otherwise known as the trade-FDI nexus (Kawai, 2007; Urata, 2001), was largely determined by the establishment of regional production networks and supply chains by multinational corporations (MNCs). (This phenomenon became known as “Factory Asia” (Soesastro, 2006). (By the end of 1990s, the intensity of regional trade in East Asia was already comparable to that of the EU and NAFTA. East Asia was also slowly veering away from its dependence on the

² The APEC Economic Leaders Declaration of Common Resolve signed in Bogor, Indonesia on 15 November 1994, or commonly known as Bogor Goals, commit to sustain free and open trade and investment in the Asia Pacific by reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among economies. It sets the target of creating free and open trade and investment in the region no later than 2020, with industrialized countries achieving this goal in 2010, and developing economies no later than 2020.



US and European markets .This dependence is expected to further decline as demand for final products within East Asia continues to grow)Kawai, 2007.(

Meanwhile, rapid FDI inflows into East Asia are largely attributable to favorable economic environment and the abundant supply of high-quality, low-wage labor .FDI inflows to East Asia over the past decades have grown rapidly, even at a faster rate than the region's growth in trade.

Many of these FDI movements were intra-regional, from Japan and the NIEs to ASEAN and the PRC, as well as from ASEAN and to the PRC .MNCs specializing in manufacturing played an important role in enhancing economic integration .The increasing number of MNCs from Japan, and later on, from the NIEs, were key factors in linking East Asia to the global production chain since they tend to divide their production process into several sub-processes and relocate them in different countries in accordance to their comparative advantages .Such business arrangements have promoted vertical intra-industry trade within East Asia for capital equipment, parts and components, intermediate inputs, semi-finished goods, and finished manufactured products)Kawai, 2007.(

The PRC plays a key role in the international product fragmentation and the regional production network in general .The PRC's dynamic role on intraregional trade has changed the structure of East Asia, and to a large extent created a positive, boost for ASEAN's competitiveness.

The PRC will likely exert more influence in the region in the future, as it poses to have more important role in the spread of FDI as well as intraregional trade .About half of the increase in East Asia's share in world trade has been accounted for by the PRC .The rise of the PRC has further expanded “Factory Asia ”and established what is referred to as the new pattern of “triangular trade ”involving increased Chinese imports from East Asia and Chinese exports to third markets)Soesastro, 2006.(

In addition to trade and investment integration, financial markets are also rapidly integrating as a result of the deregulation of domestic financial systems, the opening of financial services, and the progressive relaxation of capital and exchange controls .Commercial banks in developed countries have begun operating abroad and consequently portfolio investments have strengthened linkages among



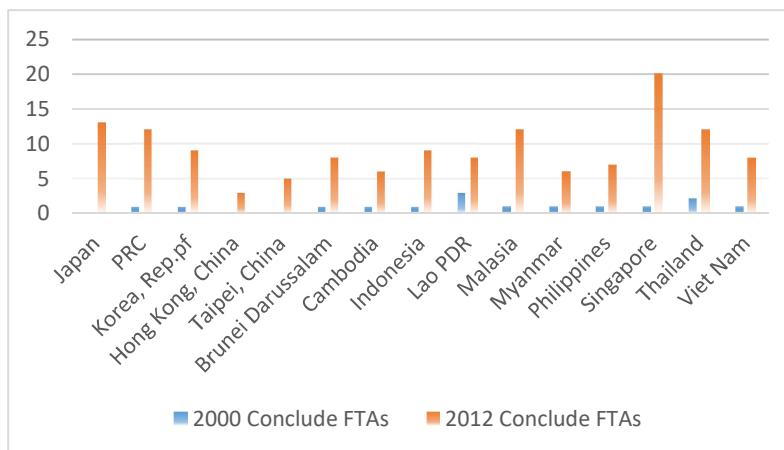
the region's financial markets .At the same time, commercial banks in emerging economies have also expanded operations with their neighbors.

3.2 De Jure Integration :Proliferation of Free Trade Agreement in East Asia

East Asia is a dynamic participant in FTAs .As of September 2012, 138 FTAs had been concluded .This is a big increase from the small number of mere 15 FTAs in the region in the year 2000)Figure 1 .(There are a number of reasons behind the surge in FTA in East Asia .While the growth of FTAs in East Asia typically is seen as a response to the sluggish progress of WTO negotiations, there are other reasons for rapid FTA uptake, such as keeping up with the expansion of FTAs in other parts of the world, promoting domestic structural reforms, avoiding financial crises, and responding to rivalry among East Asian economies over regional market access)Urata, 2008.(

Lately, there is also an ongoing trend to seek partnership outside of the Asian region, particularly with India, EU, US, and South America .Japan, Republic of Korea, and PRC had been actively engaged in bilateral agreements and had become dynamic FTA movers in the world.

Figure 1 FTAs in East Asia, 2000 and 2012



FTA =Free Trade Agreement, Lao PDR =Lao People's Democratic Republic.

Source: Kawai and Wignaraja, 2013.



Note: The above figures are FTAs both signed and in effect.

A significant development in FTA undertakings in the region is the start of negotiations of the Regional Comprehensive Economic Partnership Agreement (RCEP). (Which was initiated during the 19th ASEAN Summit in November 2011). It is a comprehensive FTA scheme involving the 10 ASEAN countries and its FTA partners, Australia, the PRC, India, Japan, Republic of Korea and New Zealand, and covering trade in goods, services, investment, economic and technical cooperation, intellectual property, competition and other key issues.

Kawai (2007) described the East Asian FTAs as either bilateral (between two countries) or plurilateral (agreement among three or more countries), outward-oriented (seeking partnership outside of the region), with WTO-Plus coverage of issues beyond trade and services liberalization, particularly trade facilitation, investment, government procurement, and competition, and consisting of multiple ROOs, as most FTAs in East Asia take on a combination of three types of ROO rather than applying a single rule.

Additionally, Kawai noted that East Asian FTAs have cooperation components that aim to address the asymmetry in economic size and development between partner countries. Japan's bilateral initiative, called the Economic Partnership Agreement (EPA), is referred to as a "new age FTA" and typically includes trade facilitation and cooperation. Likewise, the PRC's bilateral FTAs with individual ASEAN countries focus on economic and technical cooperation, with a more lenient schedule for tariff liberalization.

3.3 Regional Financial Cooperation and Integration

Sustained regional growth and integration in trade and investment increase the need to strengthen the regional financial architecture. Indeed, several financial cooperation and integration initiatives have been undertaken in the region.

Even before the 1997 crisis, ASEAN finance ministers had already agreed to work together on three important issues: strengthening the supervisory and regulatory framework of the banking sector, liberalizing the financial services, and evaluating the utility of the ASEAN Swap Arrangement (ASA) (Soesastro, 2006).

Several regional surveillance measures were launched in East Asia following the financial crisis. One of the most important of these



measures is the ASEAN+3 Economic Review and Policy Dialogue)ERPD (process, which was launched in May 2000 .The ASEAN+3 ERPD aims to prevent another financial crisis by creating channels for information sharing, assessment of economic conditions and policies, and potential for collaboration on financial, monetary, and fiscal issues of common interest.

The idea of creating a regional bond fund crystallized after the 1997 financial crisis as East Asia saw the need to develop local currency bond markets as a means to lessen the region's heavy dependence on banks .The basic idea was to create a channel to mobilize the region's vast pool of savings directly toward investment in the region's long-term financial stability without going through financial centers outside of the region .Among the initiatives undertaken at the regional level are the Asian Bond Fund)ABF (initiative and the Asian Bond Markets Initiative)ABMI .(Both were under the auspices of Executives Meeting of East Asia and Pacific Central Banks)EMEAP (and the finance ministers of ASEAN+3 . Alongside these initiatives are the APEC finance ministers' process and the Asia-Cooperation Dialogue)ACD (process, both of which aim to support the Asian bond market development.

3.4 Interregional Cooperation :Prospects for an East Asia-LAC Economic Partnership

The Asia and Pacific region and Latin America are characterized by wide disparity economically, politically, and culturally .The Asia and Pacific region is densely populated, accounting for more than 60 %of the global population .In stark contrast, Latin America's share in world population is only 2 %of the total global population .ASEAN+6 population alone comprise 48 %of world population .Asia and the Pacific's population will continue to increase in 2020 and 2030, although the share of ASEAN+6 to total world population will decrease from 48 %to 46 .%Asia and the Pacific's huge population and vast market potential will remain to be formidable in the next couple of decades and can provide vast opportunities for investors from Latin American countries.

Asia and Pacific region's share to total world GDP in 2011 was more than 30%, surpassing North America and Europe .Latin America, however, constitutes a modest 8 %of total world output . ASEAN+3's share to world GDP alone is at 26%, which is more than Europe and North America's GDP at 22 %and 21 %respectively .In



terms of world merchandise trade the Asia and Pacific region is responsible for more than a quarter of the world's total at 28%, while Latin America's share is only 5 %. In world services trade, Asia likewise commands almost a quarter of trade in services at 22%, while Latin America and the Caribbean's share remained small at 3 %)Tables 4-7.(

Until recently, economic relations between the Asia and Pacific region and Latin American and Caribbean countries were weak and the two regions did not have much opportunity for dialogue and cooperation .APEC has become the forum for this opportunity, facilitating information exchange between the two regions.

Tariff barriers remain as impediment to increasing trade between the two regions .While average tariff rates have significantly fallen over the past years in the two regions, the average regional most favored nation)MFN (tariff in Latin America and Caribbean is higher than in the East Asia and Pacific average, especially for agricultural products .Japan and Republic of Korea, however, remain to have very high tariff walls on its agriculture sector)Table 8.(

Table 9 shows Latin America's export destinations by region . In 2007, 45 %of Latin America and Caribbean's export went to the United States .The United States remain to be the region's biggest export market .Export to Latin America was 18 %.European Union received 14 %of exports, while Asia and the Pacific received 11% and the rest of the world received 11 %of exports from Latin America and Caribbean countries .As could be expected, Mexico, due to its proximity to US and membership in NAFTA, was the biggest exporter to US, with 65 %of its exports destined for the US market .Panama was the biggest exporter to EU, with 33 %of its exports going to EU . Meanwhile, Chile was the biggest exporter to Asia and the Pacific region for that year, with almost 40 %of its exports captured by the Asia and the Pacific region.



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Table 4 Population

	Total population million							Share to total world population %						
	1990	1995	2000	2005	2012	2015	2030	1990	2000	2005	2012	2015	2020	2030
Asia and the Pacific														
ASEAN	443	484	524	561	596	632	721	8.0	9.0	9.0	9.0	9.0	9.0	9.0
ASEAN+3	1,774	1,891	1,976	2,053	2,132	2,210	2,347	33.0	32.0	32.0	31.0	30.0	29.0	28.0
ASEAN+6	2,663	2,868	3,041	3,205	3,364	3,521	3,857	50.0	50.0	49.0	48.0	48.0	48.0	47.0
Latin America & Caribbean	445	486	536	563	596	630	717	8.0	9.0	9.0	9.0	9.0	9.0	9.0
SAARC	1,135	1,260	1,382	1,499	1,607	1,714	1,994	21.0	23.0	23.0	23.0	23.0	24.0	24.0
Other world regions														
Africa	290	324	357	387	419	452	541	5.0	6.0	6.0	6.0	6.0	6.0	6.0
Europe	282	297	315	331	347	361	403	5.0	5.0	5.0	5.0	5.0	5.0	5.0
North America	1,135	1,260	1,382	1,499	1,607	1,714	1,714	21.0	23.0	23.0	23.0	23.0	24.0	24.0
Other countries/areas	98	112	125	143	165	183	231	2.0	2.0	2.0	2.0	3.0	3.0	3.0
World	5,320	5,714	6,174	6,916	7,324	7,716	8,424							

ASEAN =Association of Southeast Asian Nations, SAARC =South Asian for Regional Cooperation.

Source :2012 data exported from United Nations Economic and Social Commission for Asia and the Pacific website (unescap.org) (retrieved November 14, 2017) (UNESCAP, 2008.)



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Table 5 GDP

	GDP PPP million 2005 US\$			Average GDP growth rate %			Share to world GDP %		
	1990	2005	2011	1991- 2001	2000- 2005	2005- 2010	1990	2005	2011
ASEAN	1,030,435	2,143,933	2,883,229	4.6	5.1	5.3	2.9	4.2	4.2
ASEAN+3	6,044,366	10,742,668	18,143,744	5.4	5.2	5.2	17.1	26.1	26.6
ASEAN+6	7,537,194	17,254,742	23,005,908	5.0	5.0	4.6	21.5	33.1	33.8
ECO	1,199,462	2,048,622	1,882,396	2.4	5.4	4.4	3.4	4.0	2.8
SAARC	1,366,054	3,142,074	4,189,454	5.5	6.6	7.6	3.9	2.7	7.1
Latin America & Caribbean	3,022,185	4,775,278	6,028,319	2.9	2.6	3.6	8.6	6.9	8.8
Africa	1,251,887	2,137,743	2,750,528	2.6	5.3	5.7	3.5	4.0	4.0
Europe	10,680,386	14,281,737	15,323,989	2.2	2	1	30.3	22.9	22.5
North America	8,711,322	13,696,300	14,469,877	3.5	2.4	0.7	24.7	21.6	21.2
Other countries/areas	649,536	1,439,612	1,747,138	4.5	4.3	4.6	1.8	2.7	2.6
World	35,289,990	56,440,993	68,119,677	2.8	2.9	2.3	100.0	100.0	100.0

ASEAN =Association of Southeast Asian Nations, ECO =Economic Cooperation Organization, GDP =gross domestic product, PPP = purchasing power parity, SAARC =South Asian for Regional Cooperation.

Source :United Nations Economic and Social Commission for Asia for Asia and the Pacific website (unescap.org) (retrieved November 19, 2017 ()UNESCAP, 2008.(



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Table 6 Merchandise Trade, 2012)US\$ billion(

	Import		Export	
	Value	World share	Value	World share
ASEAN	1,221,456	6.6	1,253,514	6.8
ASEAN+3	4,444,954	23.9	4,648,765	25.4
ASEAN+6	5,233,515	28.2	5,236,115	28.6
ECO	427,993	2.3	427,720	2.3
SAARC	602,014	3.2	354,617	1.9
Latin America & Caribbean	1,132,236	6.1	1,119,715	6.1
Africa	602,947	3.2	625,664	3.4
Europe	6,312,007	34.0	6,336,034	34.6
North America	2,812,034	15.1	2,002,614	10.9
Other countries/areas	953,404	5.0	1,492,772	8.1
World	18,567,000	100	18,323,000	100

Table 7 Services, 2012)US\$ billion(

	Import		Export	
	Value	World share	Value	World share
ASEAN	273,483	6.7	271,794	6.3
ASEAN+3	833,199	20.3	710,642	16.3
ASEAN+6	1,034,601	25.2	921,047	21.2
ECO	49,106	1.2	57,249	1.3
SAARC	137,982	3.4	154,319	3.6
Latin America & Caribbean	195,662	4.8	130,140	3.0
Africa	161,700	3.9	89,600	2.1
Europe	1,627,773	39.6	2,003,099	46.1
North America	511,944	12.5	692,622	15.9
Other countries/areas				
World	4,105,700	100	4,346,900	100

ASEAN =Association of Southeast Asian Nations, ECO =Economic Cooperation Organization, SAARC =South Asian for Regional Cooperation.

Source) :Tables 6-7:(United Nations Economic and Social Commission for Asia for Asia and the Pacific website)unescap.org) (retrieved November 19, 2017 ()UNESCAP, 2008(



Table 8 Tariff Trade Restrictiveness Index)TTRI(

	MFN applied tariff all goods 2006-2008	MFN applied tariff all agricultural 2006-2008	MFN applied tariff all non - agricultural 2006-2008
People's Republic of China	5.33	11.40	5.05
Republic of Korea	8.20	65.30	4.40
Japan	4.75	29.36	1.37
ASEAN Average	4.60	6.51	4.57
East Asia & Pacific Average	4.89	8.23	4.69
Latin America & Caribbean Average	7.84	13.34	6.97
World	7.19	13.54	6.48

ASEAN =Association of Southeast Asian Nations, MFN =most favored nation.

Source: World Bank World Trade Indicators)2008 (

)<http://info.worldbank.org/etool/wti2008/>

3a.asp?(

In terms of trade composition, the Asia and Pacific region's export basket consists mainly of manufactures, with a high concentration in the medium tech and high tech manufactures .Asia Pacific received most of these exports at 48%, consistent with the pattern of strong intra-regional trade in the Asia Pacific .For the Asia Pacific region, United States and European Union were only secondary markets for exports, receiving 17 %and 14 %of exports from the region, respectively.

In contrast, primary products dominate the export basket of Latin America, which account for 34 %of its exports .Most of these products went to the Asia Pacific region, at 58 %of total exports . Japan was the biggest destination of the primary exports .Medium tech manufactures were also significant at 23%, with most of the exports going to the Latin American region and the United States.

Exports from Latin America and Caribbean to Asia Pacific are mostly primary products, while the Asia and Pacific region exports high tech and medium tech manufactures to the Latin American and Caribbean region)Table 10 .(Unless trade diversification is achieved, this could present an impediment to future bi-regional trade and investment)UNECLAC 2008.(



Table 9 Latin America and the Caribbean Exports by Major Exports Region, 2007

	United States	European Union)27(Asia and the Pacific ^a	Latin America and the Caribbean	Rest of the World
Latin America & Caribbean	45.4	14	11.2	18.4	11.1
Argentina	7.8	17.5	17.1	38.8	18.8
Bolivia	8.9	7.7	8.4	61.4	13.7
Brazil	15.8	25.2	16.1	25.4	17.6
Chile	12.3	22.9	39.5	16.3	9
Colombia	36.9	15.2	4.1	35.5	8.3
Costa Rica	37.2	14.4	20.7	24.6	3.1
Cuba ^b	0	31.8	18.8	11.1	38.2
Ecuador	43.5	12.7	3.2	32.5	8.1
El Salvador	50.6	6.3	1.2	39.2	2.7
Guatemala	42.7	5.2	3.2	41.3	7.7
Honduras	58.9	16.3	0.9	20.6	3.4
Mexico	82.2	5.3	3	6	3.4
Nicaragua	62.7	7.2	1.5	22.4	6.2
Panama	39.8	33.5	1.8	18.7	6.1
Paraguay	2	6.9	3.5	72.1	15.5
Peru	19.1	17.1	19.2	18.4	26.2
Dominican Republic	65.6	12.6	2.1	4.9	14.8
Uruguay	11	18.5	8.6	37.1	24.9
Venezuela) Bolivarian Rep . of ^b	52.9	10	5.1	15.1	17
CARICOM ^b	47.9	13.1	3.2	22.4	13.5



Greater than 40%
than 40%



Greater than 15 %but less

CARICOM =Caribbean Community and Common Market

Source: ECLAC)2008(, on the basis of official country information and estimates based on International Monetary Fund Direction of Trade Statistics.

Note :^a Include not only the 12 economies in Asia and the Pacific, but also others in developing Asia.

^b Estimates by the Economic Commission for Latin American and the Caribbean)ECLAC.(



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Table 10 Latin America and Asia-Pacific :Trade by Region and Products by Technology Intensity, 2006

Products by Technology Intensity	Asia-Pacific Export matrix								Asia-Pacific Export distribution by region and sector							
	LAC	United States	European Union	Asia- Pacific	PRC	Japan	Others	Total	LAC	United States	European Union	Asia- Pacific	PRC	Japan	Others	Total
Primary Products	0.1	0.5	0.6	4.5	0.8	1.7	1.3	7	3	2.6	4.3	9.3	9.2	21.1	8.2	7
NRB Manufactures	0.3	1.4	1.4	7.6	1.4	1.3	2	12.6	7.1	7.8	9.5	15.5	15.8	16.7	13.2	12.6
Low Tech Manufactures	0.6	3.9	2.8	6.3	0.7	1.5	3.3	17	17	22	19.5	12.9	8	19.4	21.8	17
Medium Tech Manufactures	1.6	6.2	4.3	12.3	2.7	1.3	6.1	30.6	45.1	34.7	29.9	25.3	30.5	16.4	39.8	30.6
High Tech Manufactures	0.8	5.5	4.8	16.3	2.9	1.8	2.4	29.9	23.3	30.9	33.4	33.5	32.8	23.2	15.9	29.9
Other Transactions	0.1	0.3	0.4	1.3	0.2	0.1	0.7	2.9	4.1	1.8	2.6	2.6	2.5	1	4.8	2.9
Total	3.6	17.9	14.5	48.7	8.7	7.9	15.3	100	100	100	100	100	100	100	100	100



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) Table 10 Contd(

Products by Technology Intensity	Latin America and Caribbean Export matrix								Latin America and Caribbean Export distribution by region and sector							
	LAC	United States	European Union	Asia-Pacific	PRC	Japan	Others	Total	LAC	United States	European Union	Asia-Pacific	PRC	Japan	Others	Total
Primary Products	3.5	12.6	5.8	5.6	2.2	1.7	7.3	34.8	20.9	26.5	46.1	58.5	61.8	73	54.5	34.8
NRB Manufactures	4	5.7	3.6	2.3	0.8	0.4	2.5	18.1	23.7	12	28.9	23.8	22.8	17.8	18.7	18.1
Low Tech Manufactures	1.9	5.1	0.7	0.3	0.1	0	0.4	8.4	11.5	10.7	5.2	3.5	3.5	1	2.7	8.4
Medium Tech Manufactures	5.5	14.2	1.9	0.9	0.2	0.1	1.3	23.8	33	29.7	15	8.9	8.9	6.3	10	23.8
High Tech Manufactures	1.6	9.2	0.5	0.5	0.2	0	0.6	12.5	9.8	19.3	4.4	5.1	5.1	1.8	4.5	12.5
Other Transactions	0.2	0.9	0	0	0	0	1.3	2.4	1.2	1.8	0.3	0.1	0.1	0.1	9.6	2.4
Total	16.7	47.8	12.5	9.6	3.6	2.3	13.4	100	100	100	100	100	100	100	100	100

LAC =Latin America and the Caribbean, NRB =natural resource-based, PRC =People's Republic of China

Source: ECLAC)2008



Table 11 shows the score of Asia Pacific and Latin America in the Grubel Lloyd)GL (Index .The Grubel-Lloyd Index is a widely used indicator to measure the extent of intra-industry trade as opposed to inter-industry trade .High intra-industry trade will bring the GL index equal to one .Lack of intra-industry trade will bring the GL index to zero .The index varies from zero)all inter-industry trade (to one)all intra-industry trade(, and the sum over the shares of the two mutually exclusive forms of trade amounts to one in each country's aggregate trade) Lee, 2004.(

Overall, the level of bi-regional trade between Latin America and the Asia and Pacific region is still low, according to the 2006 Grubel Lloyd Index)GLI (scores .However, some increase in bi-regional trade can be seen in Mexico, Costa Rica, Argentina, and Brazil)Table 12 .(On the Asia and Pacific region's side, Singapore and Australia are moving into intra-industry trade with Latin America .The products traded range from high and medium technology goods to low technology products .High technology goods traded include electrical apparatuses, parts and accessories, microcircuits, automatic data processing machines, and quality control instruments .Medium technology goods being traded are products that are considered general machinery, while low technology products include textile, yarn, and iron and steel products)UNECLAC, 2008.(

Overall, the data showed that generally, trade and investment relations between East Asia and Latin America are still relatively underdeveloped, leaving room for more coordination and closer trade and investment linkages .There is a growing awareness in both regions of the need and importance to enhance economic cooperation between the two regions, as demonstrated by the growing number of FTAs that have been signed or are being negotiated between the two regions .



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Table 11 Grubel Lloyd indices for South Latin America and Caribbean Countries with Asia-Pacific, 2006

Countries	Partners										
	Australia	PRC	Indonesia	Japan	Malaysia	New Zealand	Philippines	Rep .of Korea	Singapore	Thailand	Viet Nam
Argentina	0.08	0.03	0.02	0.02	0.01	0.17	0	0.03	0.13	0.02	0.01
Bolivia	0.01	0.01	0	0	0.01	0	0	0	0.02	0	0
Brazil	0.07	0.08	0.05	0.06	0.02	0.14	0.02	0.05	0.18	0.05	0.06
Chile	0.08	0.01	0	0	0.01	0.02	0.03	0.01	0.02	0.01	0
Colombia	0.18	0.02	0.02	0.01	0	0.03	0.01	0	0.13	0.07	0.06
Costa Rica	0.05	0.1	0.02	0.55	0.19	0.01	0.38	0.09	0.36	0.1	0.01
Dominican Rep.	0.12	0.03	0	0.04	0.08	0.01	0.01	0.03	0.27	0.03	...
Ecuador	0.05	0.01	0.01	0	0.08	0.02	0.03	0.01	0.19	0.01	0
El Salvador	0	0.01	0.01	0	0	0	0	0	0	0.01	0
Guatemala	0.02	0.03	0.03	0.01	0.01	0	0.02	0.02	0.03	0.04	0
Honduras	0	0.1	0	0	0	0	0	0	0	0.02	0
Mexico	0.15	0.27	0.09	0.16	0.24	0.03	0.11	0.09	0.56	0.37	0.02
Nicaragua	0	0	0	0	0	0	0	0	0	0	0.1
Panama	0.11	0	0	0	0	0	0	0.17	0	0	0
Paraguay	0	0	0	0	0	0.01	0.04	0	0	0	0
Peru	0.1	0.01	0.01	0.01	0	0.02	0.34	0.02	0.02	0.02	0
Uruguay	0.04	0.03	0.11	0	0.01	0.05	0	0.06	0.03	0	0
Venezuela	0.07	0.01	0.01	0	0.03	0	0	0	0	0.02	0

■ LGL>0, 33

Source :ECLAC)2008(,

■ LGL>0, 10<0.33

on the basis of the United Nations Commodity Trade Statistics Database.



4 .Some Impediments to Economic Cooperation

Action toward improving the economic relationship of the two regions had substantially increased in the past decades .This is shown by the rising number of FTAs, as well as several initiatives to increase in interregional trade and investment between Latin America and Caribbean and the Asia Pacific .Several impediments still exist which hamper closer economic cooperation of the two regions .This section discusses some of the impediments, such as high tariffs, transport costs, logistics, quality control measures, and research and education gaps.

4.1 High Effective Tariffs in Agriculture and Natural Resource Based between the Two Regions

Agriculture is a sensitive sector in both regions and both imposed high applied tariffs to agriculture products .Natural resource products are also subject to high ad valorem and tariff quotas .The Asia Pacific region's agriculture sector is particularly heavily protected .Breaking down tariff barriers in the agriculture sector is one of the most important challenges that interregional FTAs have to surmount.

4.2 High Transport Costs and Lack of Available Direct Lines between Latin America and the Caribbean and the Asia Pacific

High freight costs put Latin America at a disadvantage for increasing its economic partnership with the Asia and Pacific region .Lack of maritime transport connections is one of the major trading barriers between the two regions and could limit potential growth .The maritime connections between the two regions are not yet adequately developed, unlike other maritime routes in several regions .Direct lines between Latin America and the Asia and Pacific region are available only to and from Chilean ports, while in the rest of the region several stops must be made in South Africa or other South American countries before setting course to Asia.

4.3 Need to Improve Trade Logistics in Some Countries in the Asia Pacific and Latin America and the Caribbean

While Latin America and Caribbean countries still have some catching up to do to improve its trade logistics and infrastructure, improvement can be seen in its performance in the 2012 World Bank's Logistics Performance Indicator) LPI .(The region in general, has better LPI score than Lower middle income countries .Chile, Brazil, Mexico, Argentina, Peru, and Colombia also performed strongly in individual LPI indicators and overall LPI score .The rest of the LAC countries, however, still need to improve trade facilitation measures such as customs procedures, quality of port infrastructure and line shipping connectivity .In the Asia Pacific region, Myanmar, Cambodia, Lao PDR, Indonesia, Viet Nam, and Philippines were identified to have relatively low LPI ranking and need to work on improving customs efficiency and infrastructure.

4.4 Quality Control Measures in Latin America and the Caribbean

The PRC and Japan account for 74 %of all the quality control measures)ISO (issued in the two regions in 2012 .PRC, in particular, acquired the most number of ISO Certification at 62 .%Latin America, on the other hand, only acquired 8.2 %of total ISO Certifications .Brazil and Colombia scored the highest in terms of number of certificates .While quality control measures are not necessarily obligatory, ISO certification is influential in determining competitiveness and influencing buying decisions of consumers .Number of ISO certifications can also help attract foreign investors to invest or create a joint venture with local companies whose standards meet international criteria.

4.5 Research and Development Spending



Compared to research and development (R&D) (spending in Japan and the NIEs, Latin America falls far behind. East Asia and the Pacific, as a whole have more than 722 researchers engaged in R&D per million people, when including Australia and New Zealand, while Latin America only has 256. However, for some aspects of R&D, Latin America fares better than ASEAN countries. For instance, Argentina fared better than ASEAN in terms of patents granted to residents, and Argentina, Chile, Uruguay, Mexico, and Brazil have more researchers engaged in R&D compared to ASEAN-member countries.

4.6 Education Gap between the Two Regions

Asian countries, with the exception of Thailand and Indonesia, consistently rank high in the Programme for International Student Assessment (PISA) (Survey of student skills in science, mathematics, and reading). PISA survey covers almost 90 % of the world economy in assessing the knowledge and skills of students in three areas. In contrast, Latin America falls far behind, ranking along with Middle East and Eastern Europe.

5. Conclusion

While geographic proximity is important in establishing economic relations, in a globalized world it no longer stands as the primary factor for countries or regions to engage in closer economic cooperation. The commitment to create an environment conducive for economic growth and development is just as essential, if not more essential, than physical proximity when engaging in regional cooperation. Asia and the Pacific and Latin America and Caribbean regions are geographically far and had not shared strong trade relationship in the past. This is slowly changing in the past decade, as shown by the increase in number of FTAs and the growing trade and FDI links between the two regions.

However, there are still many things that need to be done before the Asia and Pacific region and Latin America and the Caribbean can engage in a meaningful economic partnership. Gaps and bottlenecks exist that must be addressed. The two regions are characterized by stark structural and policy differences. Production structures and export capacities are very different. Bi-regional economic links have remained weak and have shown little diversification as inter-industry trade still accounts for most of the trade flows, with the Asia and Pacific region exporting manufactures and Latin America and the Caribbean exporting primary commodities to the Asia and Pacific region. Regional trade links should be strengthened and trade and investment partnerships harnessed. Latin America and the Caribbean, as a whole, should work on product diversification to integrate itself in the supply chain networks of the Asia and Pacific region. It should also capitalize on complementary trade opportunities between the two regions and create partnership for innovation and competitiveness.

Market access, high transportation costs, and weak small and medium enterprises (SMEs) have been identified as major obstacles that should be given adequate attention in order to strengthen the partnership between the two regions. One of the biggest challenges for Latin American countries is gaining market access to the Asia and Pacific region. The Asia and the Pacific region has a relatively highly protected agriculture sector. This issue could be addressed by FTAs being undertaken between Latin America and the Asia and Pacific region to develop trade agreements that would bring down tariff barriers in Asia's agricultural sector and enhance market access of Latin American countries to Asia and the Pacific's developed and emerging economies. Trade facilitation initiatives should also be undertaken. It is also important to study the maritime and air transportation systems of the regions, focusing specifically on how to bring



down freight costs .Finally, it is important to strengthen SMEs and trade associations to achieve scale economies for small and medium exporters .Also, the two regions should explore possible cooperation in technological upgrading and bringing down the risks associated with new ventures)UNECLAC, 2008.(

Building partnerships to enhance the competitiveness and innovation of Latin America is also important .There are a broad range of issues that the two regions can work on, such as financing to improve infrastructure and logistics and other macroeconomic issues that would eventually strengthen trade and investment links.

As an initial step, information exchange and policy dialogue between the two regions should be enhanced, particularly on areas leading to more market opportunities, market access, and investments .FTAs should also be deepened to ease trade between the two regions.

Existing interregional forums could be used as a platform to advance cooperation between Latin America and the Pacific .APEC, for instance, could leverage its Economic and Technical Cooperation)ECOTECH (and Trade and Investment Liberalization and Facilitation)TILF (agenda to support interregional cooperation between Asia and Latin America .Likewise, the Forum for East Asia-Latin America Cooperation)FEALAC(, established in 2001 to serve as a venue for dialogue between the two regions, potentially has an important role in enhancing partnerships in economic, social, and cultural sectors.

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